GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:93
ANSWERED ON:17.10.2008
DEBT BURDEN ON STATES
Singh Shri Chandra Bhushan

Will the Minister of FINANCE be pleased to state:

(a) whether the Government has taken a decision with regard to States debt problems and the loan burden;and

(b) if so, the details thereof?

Answer

Minister of State in the Ministry of Finance(SHRI PAWAN KUMAR BANSAL)

(a): Yes,sir.

(b): The Twelfth Finance Commission recommended a `Debt Consolidation and Waiver Scheme` for States.Under the scheme,the past Central loans contracted till 31.3.2004 and outstanding as on 31.3.2005 are to be consolidated and rescheduled for repayment in 20 equal annual installments at a reduced interest rate of 7.5%, subject to States enacting Fiscal Responsibility and Budget Management Acts with suggested core provisions.As a result, the States together would have to pay lesser amount of Rs. 11,929 crore under principal repayment and Rs. 21,276 crore under lower interest repayment.In addition,the debt write-off linked to reduction of revenue deficit, subject to laid down conditions. This is expected to provide further debt relief to the States. The above recommendations have been accepted by Government of India and detailed guidelines called `The States` Debt Consolidation and Relief Facility (DCRF) 2005-06 to 2009-10` has been formulated and Circulated to all State Governments.

So far,26 States have enacted FRBMA and central loans (from Ministry of Finance) of 25 States have been consolidated to the extent of Rs.1,12,076 crore.Debt waiver have been awarded to the extent of Rs.3,984.35 crore to 15 States for 2005-06,to the extent of Rs.4,691.56 crore to 20 States for 2006-07 and to the extent of Rs.4,609.55 crore to 18 States for 2007-08.